

Instructions for Virginia Form LPC-1 - Application for a Land Preservation Credit

Purpose of Form LPC-1

Individual and corporate taxpayers may claim a credit against their tax liability for the donation of land or an interest in land to an eligible public or private conservation agency.

The donation must be conveyed as an unconditional donation in perpetuity by the taxpayer to an eligible public or private conservation agency for conservation or preservation purposes. Additionally, the land or interest in land must be located in Virginia. Form LPC-1 is used to apply to the Virginia Department of Taxation ("TAX") for a Land Preservation Credit following an eligible donation. LPC-1 is also used by the Department of Conservation and Recreation in their assessment of conservation value for tax credits of \$1 million or more.

Please note that a donation of \$1 million or more is not eligible for a tax credit until it has been verified by DCR. If the \$100 million CAP is reached before TAX receives DCR verification, the credit will be issued for the next available year. For example, if a 2007 donation is not verified by DCR before the 2007 CAP is met, it will be issued as a 2008 credit.

When to Submit Form LPC-1

To avoid delays in the processing of your annual return, Form LPC-1 should be submitted to TAX within 90 days following the donation, but at least 90 days before you file your annual return to claim the credit. Applicants for tax credits of \$1 million or more should apply at least 120 days before filing an annual return.

Upon receipt of your completed Form LPC-1, TAX will record the transaction and provide the credit holder with a letter acknowledging the credit and a receipt for any fees paid.

Please note that this acknowledgment does not constitute TAX's approval of the amount of the

Land Preservation Tax Credit that may be claimed. The amount of the tax credit identified above is subject to subsequent review and audit by TAX and may ultimately be disallowed, either in whole or in part. The stated amount of the tax credit is based solely upon information supplied by the donor to establish the fair market value of the donation on which your credit is based. The value of the donation is subject to challenge by federal and state tax authorities.

TAX makes no express or implied warranties that any tax benefits will be available to the donor or to anyone to whom a land preservation tax credit is transferred or re-transferred. TAX will notify you further only if any portion of your credit is disallowed or otherwise adjusted. Such notification may be issued either before or after you file an income tax return claiming the credit, subject to the statute of limitations.

For 2007 donations, you cannot transfer credit(s) until Tax has issued you a credit for your donation. Tax is unable to guarantee that any 2007 LPC-1 application received in December will be processed in time to make a 2007 transfer.

In addition, the sale or transfer of tax credits may have income tax consequences for the credit holder and the transferee. You are encouraged to consult your attorney, tax professional, or the Internal Revenue Service for advice.

Forms to Complete

Do Not Complete a Separate LPC-1 For Each Owner of The Same Donation

- Form LPC-1 for all donations.
- Schedule A if there is more than one credit holder, either because of multiple donors (including spouses when both are on the deed) of the donated property or pass-through entity.
- Schedule B if the tax credit is \$1 million or more, and the donation is a less-than-fee interest in land.

- Schedule C if the tax credit is \$1 million or more and the donation is a fee-simple interest in land.
- Form LPC-2 for all sales or transfers of Land Preservation Tax Credits.

What to Attach and Where to Submit Form LPC-1

A) Virginia Tax Department

The original Form LPC-1, its schedules and attachments should be sent to the following address:

**Virginia Department of Taxation
Tax Credit Unit
P.O. Box 715
Richmond, VA 23218-0715**

Applications Must Include the Following Attachments:

- A copy or **CD** of the **full** appraisal;
- A copy of the recorded deed of donation;
- A copy of the completed and signed IRS Form 8283.

For General Assistance call **(804) 786-2992**

B) Department of Conservation & Recreation

The copy of Form LPC-1 and its schedules should be sent to the following address:

**Department of Conservation & Recreation
Office Of Land Conservation
203 Governor Street, Suite 302
Richmond, VA 23219**

Applications for tax credits of \$1 million or more must include the following attachments:

- A copy of the recorded deed of donation;
- A copy of the Baseline Documentation Report, for donations of less-than fee interest.

For assistance regarding Sections IV, V and Schedule B & C, call **(804) 371-5218**.

How to Complete Form LPC-1

Lines not mentioned below are self-explanatory.

Section I – Applicant Information

Complete Section I for all applications.

- A) Entity Type** – Check the box indicating the entity type of the applicant(s).
- **Individual Taxpayer** – Check this box if the applicant is a single taxpayer or married taxpayers filing joint returns in Virginia.
 - **Corporation** – Check this box if the applicant is a C corporation.
 - **Multiple Donors** – Check this box if the donation was made by tenants in common or joint tenants. Complete Schedule A listing each applicant and their respective credit amount(s).
 - **Pass-Through Entity** – Check this box if the applicant is a partnership, S corporation, limited liability company or business trust. Complete Schedule A listing each person or entity and their respective credit amount(s).
 - **Non-Profit** – Check this box if the applicant is a non-profit organization.
 - **Trust/Estate** – Check this box if the applicant is a trust or estate. In addition, if the trust or estate will be passing the credit to its beneficiaries, complete Schedule A listing each person or entity and their respective credit amount(s).
 - **Other Entity** – Check this box for other entity types. Please specify the entity type in the space provided. Complete Schedule A, if applicable.
- B) Applicant Name** – Enter the applicant's name(s) as shown on deed.
- C) Applicant Identification Number** – Enter each applicant's Social Security Number (SSN) or Federal Identification Number (FEIN). If the donation was owned jointly by married taxpayers, complete Schedule A. The Federal Employer Identification Number (FEIN) is **required** for pass-through entities and Corporations.

- E) Contact Name** – Enter the name of the person, if different than the applicant, who TAX should contact to answer questions regarding the information provided on Form LPC-1.
- F) Phone Number** – Enter the telephone number for either the applicant or for the contact listed in Section I, E.

Section II – Questions for a Donation Made on or After January 1, 2007

Complete Section II only if Form LPC-1 is for a donation made on or after January 1, 2007.

Section III – Property and Credit Information

Complete Section III for all applications.

- A) Type Of Donation** – Check the appropriate box to indicate the type of donation.
- B) Bargain Sale** -- Check the appropriate box to indicate if the transaction was a bargain sale, that is, part donation and part sale. If yes, also enter the amount received and provide proof of sale.
- D) Date Acquired** – Enter the date that the donated land was acquired by the applicant.
- E) Property Street Address** – The address provided must be the physical location of the land. The land must be located in Virginia. Do not enter a post office box.
- F) Property Information** – Enter the deed book reference, tax map or PIN and locality for the donated property.
- G) Name(s) of Eligible Conservation Agency(ies) Receiving Donation** – Enter the name(s) of the eligible conservation agency(ies) that received the donation.
- H) Jurisdiction(s) Donation was Recorded** – Enter the name of the locality(ies) in Virginia where the transfer of the land or interest in land was recorded.
- I) Date Recorded** – Enter the date the transfer of the land, or interest in land, was recorded.
- J) Appraisal Company Name** - Enter the name of the company that appraised the donated land, or interest in land.
- K) Company's FEIN or SSN** – Enter the Federal Employer Identification Number (FEIN) or Social Security Number (SSN) of the company that appraised the donated land, or interest in land.
- M) Appraised Value of Donation** – Enter the fair market value of the land or interest in land that

is being donated. The fair market value is the “qualified appraisal” as prepared by a “qualified appraiser,” as those terms are defined under applicable federal law, under §170(h) of the US IRS Code of 1986 as amended and regulations governing charitable contributions.

- N) Credit Amount Requested**– For donations made prior to January 1, 2007 the credit amount is 50% of the actual appraised value of the donation. For donations made after January 1, 2007, the credit is 40% of the actual appraised value of the donation.
- O) Assessed Value Per Acre** – Enter the most recent assessed value per acre of the **donated land** prior to donation as determined by the real estate assessor for the locality in which the land is located. This should not include improvements (dwellings) unless it is a qualifying historic structure.
- P) Appraised Value Per Acre** - Enter the appraised value per acre of the **donation/gift** using the qualified appraisal value recorded in Section III, M. To calculate: Divide Appraised Value of Donation by the Number of Acres (M/C). This should not include improvements (dwellings) unless it is a qualifying historic structure.

Section IV - Conservation Information for Reporting Purposes

Please note: the phrase “conservation easement,” as used in these Instructions and in Form LPC-1, includes both open-space easements pursuant to Va. Code § 10.1-1700 *et seq.* and conservation easements pursuant to Va. Code § 10.1-1009.

- A) Conservation Purpose** – For definitions of these conservation purposes, see Schedule B, Section I, and the Instructions for Schedule B.

Section V – Fee-Simple Donation

- A) Gift to Conservation Agency** – If the donation is a gift in fee simple to a public or private conservation agency, provide the name of the agency. If the application is for \$1 million or more in tax credits, also complete Schedule C.

B) Gift to Holder – If the donation is a gift in fee simple to a “holder” as defined in Va. Code § 10.1-1009, indicate that documentation is attached showing that the organization agrees that subsequent conveyances of fee-simple interest in the property will be made subject to a conservation or open-spaced easement, or made to the Commonwealth of Virginia or a federal conservation agency.

Section VII – Declaration, Signature and Notarization

The applicant is required to sign Form LPC-1 in the presence of a Notary Public. Review the declaration carefully before signing Form LPC-1. For joint donors, each donor must sign page 3. Attach additional pages, if needed. If the donor is a pass-through entity, only one signature is required.